

**REPORT OF THE AUDIT OF THE  
LYON COUNTY  
FISCAL COURT**

**For The Fiscal Year Ended  
June 30, 2003**



**CRIT LUALLEN  
AUDITOR OF PUBLIC ACCOUNTS  
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## **EXECUTIVE SUMMARY**

### **AUDIT EXAMINATION OF THE LYON COUNTY FISCAL COURT**

**For The Fiscal Year Ended  
June 30, 2003**

The Auditor of Public Accounts has completed the Lyon County Fiscal Court audit for fiscal year ended June 30, 2003. We have issued an unqualified opinion on the financial statements taken as a whole. Based upon the audit work performed, the financial statements are presented fairly in all material respects.

#### **Financial Condition:**

Cash balances increased by \$164,953 from the beginning of the year, resulting in a cash surplus of \$1,988,739 as of June 30, 2003.

#### **Debt Obligations:**

Total bonded debt principal as of June 30, 2003, was \$4,690,000. Future collections of \$6,559,882 are needed to pay all bonded debt principal and interest.

Capital lease principal agreements totaled \$1,752,074 as of June 30, 2003. Future principal and interest payments of \$2,888,087 are needed to meet these obligations.

#### **Deposits:**

The fiscal court's deposits were insured and collateralized by bank securities or bonds.

#### **Subsequent Events:**

- The Lyon County Fiscal Court co-signed a note with the Lyon County Ambulance Service for \$50,000.
- The Lyon County Ambulance Service owes the Lyon County Fiscal Court \$61,000 due to payments made on behalf of and loans made directly to the Service.



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**CRIT LUALLEN**  
**AUDITOR OF PUBLIC ACCOUNTS**

To the People of Kentucky  
Honorable Ernie Fletcher, Governor  
Robbie Rudolph, Secretary  
Finance and Administration Cabinet  
Honorable Sara J. Boyd, Lyon County Judge/Executive  
Members of the Lyon County Fiscal Court

Independent Auditor's Report

We have audited the accompanying statement of assets, liabilities, and equity arising from cash transactions of Lyon County, Kentucky, as of June 30, 2003, and the related statement of cash receipts, cash disbursements, and changes in cash balances - governmental fund type for the year then ended. These financial statements are the responsibility of the Lyon County Fiscal Court. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for Fiscal Court Audits issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, Lyon County, Kentucky, prepares its financial statements on a prescribed basis of accounting that demonstrates compliance with the modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets, liabilities, and equity of Lyon County, Kentucky, as of June 30, 2003, and the receipts and expenditures for the year then ended in conformity with the modified cash basis of accounting.



To the People of Kentucky  
Honorable Ernie Fletcher, Governor  
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In accordance with Government Auditing Standards, we have also issued our report dated April 27, 2004, on our consideration of Lyon County, Kentucky's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

The accompanying financial information listed as supporting schedules in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements of Lyon County, Kentucky. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Crit Luallen", with a long horizontal flourish extending to the right.

Crit Luallen  
Auditor of Public Accounts

Audit fieldwork completed -  
April 27, 2004



LYON COUNTY OFFICIALS

For The Fiscal Year Ended June 30, 2003

**Fiscal Court Members:**

Jim Boyd	County Judge/Executive
Steve Cruce	Magistrate
Buddy Nichols	Magistrate
Charles Ferguson	Magistrate

**Other Elected Officials:**

Lindell Choat	County Attorney
Hank O'Bryan	Jailer
Sarah Defew	County Clerk
Rebecca Howard	Circuit Court Clerk
P. Kent Murphy	Sheriff
Janice Stokes	Property Valuation Administrator
Ronnie Patton	Coroner

**Appointed Personnel:**

Denise Sutton	County Treasurer
Christie Freeman	Finance Officer

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STATEMENT OF ASSETS, LIABILITIES,  
AND EQUITY ARISING FROM CASH TRANSACTIONS

LYON COUNTY  
STATEMENT OF ASSETS, LIABILITIES,  
AND EQUITY ARISING FROM CASH TRANSACTIONS

June 30, 2003

	Governmental Fund Type			Totals (Memorandum Only)
	General	Special Revenue	Debt Service	
<u>Assets and Other Resources</u>				
<u>Assets</u>				
Cash and Cash Equivalents	\$ 1,289,199	\$ 237,531	\$ 486,813	\$ 2,013,543
Total Assets	\$ 1,289,199	\$ 237,531	\$ 486,813	\$ 2,013,543
<u>Other Resources</u>				
Amounts to be Provided in Future Years for:				
Capital Leases (Note 5)	\$ 887,074	\$	\$ 865,000	\$ 1,752,074
Bond Payments (Note 4)			4,203,187	4,203,187
Total Other Resources	\$ 887,074	\$ 0	\$ 5,068,187	\$ 5,955,261
Total Assets and Other Resources	\$ 2,176,273	\$ 237,531	\$ 5,555,000	\$ 7,968,804

The accompanying notes are an integral part of the financial statements.

LYON COUNTY  
STATEMENT OF ASSETS, LIABILITIES,  
AND EQUITY ARISING FROM CASH TRANSACTIONS  
June 30, 2003  
(Continued)

	Governmental Fund Type			Totals (Memorandum Only)
	General	Special Revenue	Debt Service	
<u>Liabilities and Equity</u>				
<u>Liabilities</u>				
Capital Leases (Note 5)	\$ 887,074	\$	\$ 865,000	\$ 1,752,074
Bonds:				
Series 1999 (Note 4)			4,690,000	4,690,000
Payroll	24,804			24,804
Total Liabilities	<u>\$ 911,878</u>	<u>\$ 0</u>	<u>\$ 5,555,000</u>	<u>\$ 6,466,878</u>
<u>Equity</u>				
Fund Balances:				
Unreserved	<u>\$ 1,264,395</u>	<u>\$ 237,531</u>	<u>\$</u>	<u>\$ 1,501,926</u>
Total Equity	<u>\$ 1,264,395</u>	<u>\$ 237,531</u>	<u>\$ 0</u>	<u>\$ 1,501,926</u>
Total Liabilities and Equity	<u><u>\$ 2,176,273</u></u>	<u><u>\$ 237,531</u></u>	<u><u>\$ 5,555,000</u></u>	<u><u>\$ 7,968,804</u></u>

The accompanying notes are an integral part of the financial statements.

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STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS,  
AND CHANGES IN CASH BALANCES - GOVERNMENTAL FUND TYPE

LYON COUNTY  
STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS,  
AND CHANGES IN CASH BALANCES - GOVERNMENTAL FUND TYPE

For The Fiscal Year Ended June 30, 2003

	General Fund Type			
	General Fund	Road and Bridge Fund	Jail Fund	Local Government Economic Assistance Fund
<u>Cash Receipts</u>				
Schedule of Operating Revenue	\$ 1,590,074	\$ 679,253	\$ 60,737	\$ 35,861
Other Financing Sources:				
Transfers In			90,000	
Kentucky Advance Revenue Program	407,400			
Lease-Purchase Proceeds	22,688			
Total Cash Receipts	<u>\$ 2,020,162</u>	<u>\$ 679,253</u>	<u>\$ 150,737</u>	<u>\$ 35,861</u>
<u>Cash Disbursements</u>				
Comparative Schedule of Final Budget and Budgeted Expenditures	\$ 1,558,811	\$ 390,664	\$ 150,014	\$ 24,971
Other Financing Uses:				
Transfers Out	90,000			
Bonds:				
Principal Paid				
Interest Paid				
Capital Leases:				
Principal Paid	16,324	130,000		
Interest Paid				
Kentucky Advance Revenue Program Repaid	407,400			
Total Cash Disbursements	<u>\$ 2,072,535</u>	<u>\$ 520,664</u>	<u>\$ 150,014</u>	<u>\$ 24,971</u>
Excess (Deficiency) of Cash Receipts Over (Under) Cash Disbursements	\$ (52,373)	\$ 158,589	\$ 723	\$ 10,890
Cash Balance - July 1, 2002	<u>782,738</u>	<u>222,753</u>	<u>112</u>	<u>140,963</u>
Cash Balance - June 30, 2003	<u>\$ 730,365</u>	<u>\$ 381,342</u>	<u>\$ 835</u>	<u>\$ 151,853</u>

The accompanying notes are an integral part of the financial statements.



LYON COUNTY  
 STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS,  
 AND CHANGES IN CASH BALANCES - GOVERNMENTAL FUND TYPE  
 For The Fiscal Year Ended June 30, 2003  
 (Continued)

<u>Special Revenue Fund Type</u>				<u>Debt Service Fund Type</u>	
<u>911 Fund</u>	<u>HB 577 Fund</u>	<u>Poor Farm Fund</u>	<u>Public Properties Corporation Fund</u>	<u>Totals (Memorandum Only)</u>	
\$ 11,105	\$ 63,950	\$ 791	\$ 442,455	\$ 2,884,226	
				90,000	
				407,400	
				22,688	
<u>\$ 11,105</u>	<u>\$ 63,950</u>	<u>\$ 791</u>	<u>\$ 442,455</u>	<u>\$ 3,404,314</u>	
\$ 23,569	\$	\$	\$	\$ 2,148,029	
				90,000	
			170,000	170,000	
			219,403	219,403	
			5,000	151,324	
			53,205	53,205	
				407,400	
<u>\$ 23,569</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 447,608</u>	<u>\$ 3,239,361</u>	
\$ (12,464)	\$ 63,950	\$ 791	\$ (5,153)	\$ 164,953	
52,450	97,056	35,748	491,966	1,823,786	
<u>\$ 39,986</u>	<u>\$ 161,006</u>	<u>\$ 36,539</u>	<u>\$ 486,813</u>	<u>\$ 1,988,739</u>	

The accompanying notes are an integral part of the financial statements.

LYON COUNTY  
NOTES TO FINANCIAL STATEMENTS

June 30, 2003

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

The financial statements of Lyon County include the funds, agencies, boards, and entities for which the fiscal court is financially accountable. Financial accountability, as defined by Section 2100 of the GASB Codification of Governmental Accounting and Financial Reporting Standards, as amended by GASB 14, was determined on the basis of the government's ability to significantly influence operations, select the governing authority, participate in fiscal management and the scope of public service. Based upon the application of the criteria stated in GASB 14, management has included the Lyon County Public Properties Corporation as part of the reporting entity.

Lyon County Public Properties Corporation

The fiscal court appoints a voting majority of the Public Properties Corporation's governing board and has the ability to impose its will on the governing board. In addition, the fiscal court is financially accountable and legally obligated for the debt of the Public Properties Corporation. Financial information for the Public Properties Corporation is blended within Lyon County's financial statements.

Additional - Lyon County Constitutional Elected Officials

- Circuit Court Clerk
- County Attorney
- County Clerk
- County Sheriff
- Property Valuation Administrator

The Kentucky constitution provides for election of the above officials from the geographic area constituting Lyon County. Pursuant to state statute, these officials perform various services for the Commonwealth of Kentucky, its judicial courts, the fiscal court, various cities and special districts within the county, and the board of education. In exercising these responsibilities, however, they are required to comply with state laws. Audits of their financial statements are issued separately and individually and can be obtained from their respective administrative offices.

B. Fund Accounting

Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities. The government uses funds to report on its financial position and the results of its operations. A fund is a separate accounting entity with a self-balancing set of accounts. Lyon County Fiscal Court's fund types, a definition of each, and county funds included within each fund type are listed on the next page.

LYON COUNTY  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2003  
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

B. Fund Accounting (Continued)

1) General Fund Type

General Fund Type accounts for all financial resources except those required to be accounted for in another fund type. The Lyon County General Fund Type includes the following county funds: General Fund, Road and Bridge Fund, Jail Fund, and Local Government Economic Assistance Fund.

2) Special Revenue Fund Type

Special Revenue Fund Type accounts for the proceeds of specific revenue sources that are legally restricted to expenditures for the specified purpose. The Lyon County Special Revenue Fund Type includes the following county funds: Federal Grant Fund, 911 Fund, HB 577 Fund and Poor Farm Fund.

3) Debt Service Fund Type

Debt Service Fund Type accounts for the accumulation of resources for the payment of general long-term debt principal and interest and includes funds for the Public Properties Corporation Fund.

C. Basis of Accounting

For all fund types, the county utilizes a modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this basis of accounting, assets, liabilities, and related revenues and expenditures are recorded when they result from cash transactions, with a few exceptions. This modified cash basis recognizes revenues when received and expenditures when paid. Long-term receivables, long-term obligations and amounts to be provided in future years to retire debt are recorded in the financial statements. The amount to be provided in future years to retire debt is offset by any cash or cash equivalents held by the county in a bond or debt service fund.

The State Local Finance Officer does not require the county to maintain a general fixed assets group of accounts; therefore the value of the county's fixed assets is not included in the financial statements. These fixed assets include buildings, equipment and land that are owned by the county.

LYON COUNTY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2003  
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

D. Legal Compliance - Budget

The Lyon County budget is adopted on a cash basis of accounting and according to the laws of Kentucky as required by the State Local Finance Officer. The County Judge/Executive is required to submit estimated receipts and proposed expenditures to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Expenditures may not exceed budgeted appropriations at the activity level.

A formal budget is not adopted for the Public Properties Corporation Fund because bond indentures and other relevant contractual provisions require specific payments to and from this fund annually. The Department for Local Government does not require this fund to be budgeted.

E. Cash and Investments

Cash includes amounts in bank accounts, and investments are stated at cost. The County considers certificates of deposit with a maturity date of three months or less when purchased to be cash equivalents.

KRS 66.480 authorizes the county to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

F. Related Organization

A related organization is an entity for which a primary government is not financially accountable. It does not impose will or have a financial benefit or burden relationship, even if the primary government appoints a voting majority of the related organization's governing board. Based on these criteria, the Lyon County Ambulance Service is considered a related organization of Lyon County Fiscal Court.

G. Joint Ventures

A legal entity or other organization that results from a contractual agreement and that is owned, operated, or governed by two or more participants as a separate activity subject to joint control, in which the participants retain (a) an ongoing financial interest or (b) an ongoing financial responsibility is a joint venture.

LYON COUNTY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2003  
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

G. Joint Ventures (Continued)

- 1) The Lyon County-Eddyville-Kuttawa Joint Tourism Commission is a joint venture of Lyon County, the City of Eddyville, and the City of Kuttawa. The Lyon County-Eddyville-Kuttawa Joint Tourism Commission was created to promote tourism in Lyon County.
- 2) The Lyon County Planning and Zoning Commission is a joint venture of Lyon County, the City of Eddyville, and the City of Kuttawa. The Planning and Zoning Commission was created to facilitate consistency of planning and zoning laws within Lyon County.
- 3) The North Pennyriple E-911 Fund is a joint venture of the Kentucky State Police and Lyon, Caldwell, Crittenden, Livingston, and Union Counties. This fund was created to distribute E-911 taxes collected on phone services for the aforementioned counties and Kentucky State Police and to pay related E-911 expenses.

Note 2. Employee Retirement System

The county has elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a multiple-employer public retirement system which covers all eligible full-time employees. Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 6.34 percent.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65.

Historical trend information showing the CERS' progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Retirement Systems' annual financial report.

Note 3. Deposits

The county maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to KRS 66.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the county and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. These requirements were met, and as of June 30, 2003, the county's deposits were fully insured or collateralized at a 100% level with collateral of either pledged securities held by the county's agent in the county's name, or provided surety bond which named the county as beneficiary/obligee on the bond.

LYON COUNTY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2003  
(Continued)

Note 4. Long-Term Debt

Public Properties Corporation First Mortgage Revenue Bonds

The Lyon County Public Properties Corporation issued First Mortgage Revenue Bonds (Courthouse Annex Project) Series 1999 for funding of construction of a new Annex facility. Interest varies from 3.75 percent to 5.0 percent and is payable for 22 years. The Lyon County Public Properties Corporation has leased the building to the Commonwealth of Kentucky, Administrative Office of the Courts (AOC), and AOC is providing the debt service payments as prescribed in the aforementioned lease. The principal balance as of June 30, 2003 was \$4,690,000. Future bond principal and interest requirements are:

<u>Fiscal Year Ended June 30</u>	<u>Scheduled Interest</u>	<u>Scheduled Principal</u>
2004	\$ 212,943	\$ 175,000
2005	206,117	185,000
2006	198,718	190,000
2007	191,117	200,000
2008	183,118	205,000
2009-2013	779,442	1,175,000
2014-2018	491,910	1,475,000
2019-2020	<u>93,330</u>	<u>1,085,000</u>
Totals	<u>\$ 2,356,695</u>	<u>\$ 4,690,000</u>

Note 5. Capital Lease Agreements

A. Waterlines

The Lyon County Fiscal court entered into a capital lease agreement with the Kentucky Association of Counties Leasing Trust on December 16, 1991 for funding of waterlines for the Lyon County Water District in the amount of \$130,000 for 25 years. The Lyon County Fiscal Court refinanced this capital lease agreement on May 7, 2001. The amount refinanced was \$98,000. The interest is payable at a rate of 4.45 percent for 15 years. The principal balance as of June 30, 2003 was \$88,000.

LYON COUNTY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2003  
(Continued)

Note 5. Capital Lease Agreements (Continued)

A. Waterlines (Continued)

Future lease principal and interest requirements are:

<u>Fiscal Year Ended June 30</u>	<u>Scheduled Interest</u>	<u>Scheduled Principal</u>
2004	\$ 4,409	\$ 5,000
2005	4,131	6,000
2006	3,823	6,000
2007	3,515	6,000
2008	3,207	6,000
2009-2013	11,003	35,000
2014-2016	1,950	24,000
Totals	<u>\$ 32,038</u>	<u>\$ 88,000</u>

B. Road Construction

The Lyon County Fiscal Court entered into a capital lease agreement with the Kentucky Area Development District on August 6, 1998 for funding for road construction in the amount of \$1,405,000. Interest is payable at a rate of 4.83 percent to Fifth Third Bank. The principal balance as of June 30, 2003 was \$780,000. Future lease principal and interest requirements are:

<u>Fiscal Year Ended June 30</u>	<u>Scheduled Interest</u>	<u>Scheduled Principal</u>
2004	\$ 38,220	\$ 140,000
2005	31,360	150,000
2006	24,010	155,000
2007	16,415	165,000
2008	8,330	170,000
Totals	<u>\$ 118,335</u>	<u>\$ 780,000</u>

C. Courthouse Project

The Lyon County Fiscal Court entered into a capital lease agreement with the Kentucky Area Development District on October 14, 1999 for funding for the completion of a courthouse project. Interest is payable at an average rate of 6.07 percent for 25 years. The debt service payments related to this project are being made by the Administrative Office of the Courts. The principal balance as of June 30, 2003 was \$865,000.

LYON COUNTY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2003  
(Continued)

Note 5. Capital Lease Agreements (Continued)

C. Courthouse Project (Continued)

Future lease principal and interest requirements are:

<u>Fiscal Year Ended June 30</u>	<u>Scheduled Interest</u>	<u>Scheduled Principal</u>
2004	\$ 52,930	\$ 5,000
2005	52,655	5,000
2006	52,380	5,000
2007	52,105	5,000
2008	51,830	5,000
2009-2013	254,973	25,000
2014-2018	247,712	25,000
2019-2023	207,118	585,000
2024	13,005	205,000
Totals	<u>\$ 984,708</u>	<u>\$ 865,000</u>

D. Sheriff's Vehicles

- 1) The Lyon County Fiscal Court entered into a capital lease agreement with the Kentucky Association of Counties Leasing Trust on July 7, 2000 for the purchase of a vehicle for the Sheriff's Office for \$21,160. Interest is payable at a rate of 4.75 percent for 3 years. The principal balance as of June 30, 2003 was \$629. Future lease principal and interest are:

<u>Fiscal Year Ended June 30</u>	<u>Scheduled Interest</u>	<u>Scheduled Principal</u>
2004	\$ 4	\$ 629
Totals	<u>\$ 4</u>	<u>\$ 629</u>

- 2) The Lyon County Fiscal Court entered into a capital lease agreement with the Kentucky Association of Counties Leasing Trust on November 7, 2002 for the purchase of a vehicle for the Sheriff's Office for \$22,688. Interest is payable at a variable rate for 3 years. The principal balance as of June 30, 2003 was \$18,445.



LYON COUNTY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2003  
(Continued)

Note 5. Capital Lease Agreements (Continued)

D. Sheriff's Vehicles (Continued)

Future lease principal and interest are:

<u>Fiscal Year Ended</u> <u>June 30</u>	<u>Scheduled</u> <u>Interest</u>	<u>Scheduled</u> <u>Principal</u>
2004	\$ 597	\$ 7,451
2005	297	7,712
2006	<u>34</u>	<u>3,282</u>
Totals	<u>\$ 928</u>	<u>\$ 18,445</u>

Note 6. Subsequent Events

A. Contingent Liability - Ambulance Service

On February 25, 2004, the Lyon County Fiscal Court co-signed a loan for \$50,000 at the Fredonia Valley Bank for the Lyon County Ambulance Service. The loan agreement, at an annual interest rate of 8 percent, requires a one time principal and interest payment of \$53,679 on January 25, 2005.

B. Receivables - Lyon County Ambulance Service

- 1) On January 30, 2004, the Lyon County Fiscal Court, on behalf of the Lyon County Ambulance Service, agreed to pay \$11,000 to the Kentucky Advance Revenue Program (KARP). The Lyon County Ambulance Service is to repay this amount with 2004 property tax revenues or sooner if other funds are available.
- 2) The Lyon County Fiscal Court also loaned \$50,000 to the Lyon County Ambulance Service on March 25, 2004, because the service was having short-term financial difficulties. There will be no interest charged for this loan and the service is to repay the loan by January 2005.

Note 7. Insurance

For the fiscal year ended June 30, 2003, Lyon County was a member of the Kentucky Association of Counties' All Lines Fund (KALF). KALF is a self-insurance fund and was organized to obtain lower cost coverage for general liability, property damage, public officials' errors and omissions, public liability, and other damages. The basic nature of a self-insurance program is that of a collectively shared risk by its members. If losses incurred for covered claims exceed the resources contributed by the members, the members are responsible for payment of the excess losses.

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COMPARATIVE SCHEDULE OF  
BUDGETED TO ACTUAL OPERATING REVENUE



LYON COUNTY  
COMPARATIVE SCHEDULE OF  
BUDGETED TO ACTUAL OPERATING REVENUE

For The Fiscal Year Ended June 30, 2003

<u>Budgeted Funds</u>	<u>Budgeted Operating Revenue</u>	<u>Actual Operating Revenue</u>	<u>Over (Under) Budget</u>
<u>General Fund Type</u>			
General Fund	\$ 1,262,681	\$ 1,590,074	\$ 327,393
Road and Bridge Fund	608,853	679,253	70,400
Jail Fund	64,241	60,737	(3,504)
Local Government Economic Assistance Fund	34,000	35,861	1,861
<u>Special Revenue Fund Type</u>			
Federal Grant Fund	5,000		(5,000)
E-911 Fund	27,000	11,105	(15,895)
HB 577 Fund	61,800	63,950	2,150
Poor Farm Fund	1,000	791	(209)
Totals	<u>\$ 2,064,575</u>	<u>\$ 2,441,771</u>	<u>\$ 377,196</u>
<u>Reconciliation</u>			
Total Budgeted Operating Revenue Above		\$ 2,064,575	
Add: Budgeted Prior Year Surplus		1,292,850	
Less: Other Financing Uses		<u>(146,324)</u>	
Total Operating Budget Per Comparative Schedule Of Final Budget and Budgeted Expenditures		<u>\$ 3,211,101</u>	

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SCHEDULE OF OPERATING REVENUE





LYON COUNTY  
SCHEDULE OF OPERATING REVENUE

For The Fiscal Year Ended June 30, 2003

GOVERNMENTAL FUND TYPE

<u>Revenue Categories</u>	<u>General Fund Type</u>	<u>Special Revenue Fund Type</u>	<u>Debt Service Fund Type</u>	<u>Totals (Memorandum Only)</u>
Taxes	\$ 519,397	\$ 9,668	\$	\$ 529,065
In Lieu Tax Payments	404,444			404,444
Licenses and Permits	14,448			14,448
Intergovernmental Revenues	1,305,950	60,544	424,502	1,790,996
Charges for Services	42,265			42,265
Miscellaneous Revenues	38,986			38,986
Interest Earned	40,435	5,634	17,953	64,022
Total Operating Revenue	<u>\$ 2,365,925</u>	<u>\$ 75,846</u>	<u>\$ 442,455</u>	<u>\$ 2,884,226</u>

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COMPARATIVE SCHEDULE OF  
FINAL BUDGET AND BUDGETED EXPENDITURES



LYON COUNTY  
COMPARATIVE SCHEDULE OF  
FINAL BUDGET AND BUDGETED EXPENDITURES

For The Fiscal Year Ended June 30, 2003

GENERAL FUND TYPE			
Expenditure Categories	Final Budget	Budgeted Expenditures	Under (Over) Budget
General Government	\$ 762,863	\$ 737,693	\$ 25,170
Protection to Persons and Property	163,379	147,737	15,642
General Health and Sanitation	309,541	303,169	6,372
Social Services	29,246	22,051	7,195
Recreation and Culture	267,500	222,094	45,406
Roads	611,563	347,857	263,706
Administration	813,209	343,859	469,350
Total Operating Budget - General Fund Type	\$ 2,957,301	\$ 2,124,460	\$ 832,841
Other Financing Uses: Capital Lease Agreements- Principal	146,324	146,324	
TOTAL BUDGET - GENERAL FUND TYPE	<u>\$ 3,103,625</u>	<u>\$ 2,270,784</u>	<u>\$ 832,841</u>
SPECIAL REVENUE FUND TYPE			
Expenditure Categories	Final Budget	Budgeted Expenditures	Under (Over) Budget
General Government	\$ 136,800	\$	\$ 136,800
Protection to Persons and Property	77,000	23,569	53,431
Social Services	40,000		40,000
Total Operating Budget - Special Revenue Fund Type	\$ 253,800	\$ 23,569	\$ 230,231
TOTAL BUDGET - SPECIAL REVENUE FUND TYPE	<u>\$ 253,800</u>	<u>\$ 23,569</u>	<u>\$ 230,231</u>

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REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS







**CRIT LUALLEN**  
**Auditor of Public Accounts**

The Honorable Jim Boyd, Lyon County Judge/Executive  
Members of the Lyon County Fiscal Court

**Report On Compliance And On Internal Control  
Over Financial Reporting Based On An Audit Of Financial  
Statements Performed In Accordance With Government Auditing Standards**

We have audited the financial statements of Lyon County, Kentucky, as of and for the year ended June 30, 2003, and have issued our report thereon dated April 27, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Lyon County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Lyon County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

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Report On Compliance And On Internal Control  
Over Financial Reporting Based On An Audit Of Financial  
Statements Performed In Accordance With Government Auditing Standards  
(Continued)

This report is intended solely for the information and use of management and is not intended to be and should not be used by anyone other than the specified parties.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Crit Luallen", with a long horizontal flourish extending to the right.

Crit Luallen  
Auditor of Public Accounts

Audit fieldwork completed -  
April 27, 2004

CERTIFICATION OF COMPLIANCE -  
LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM

LYON COUNTY FISCAL COURT

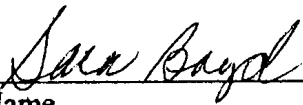
For The Fiscal Year Ended  
June 30, 2003

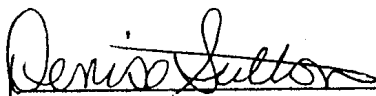


**CERTIFICATION OF COMPLIANCE**  
**LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM**  
**LYON COUNTY FISCAL COURT**

**For The Fiscal Year Ended June 30, 2003**

**The Lyon County Fiscal Court hereby certifies that assistance received from the Local Government Economic Assistance Program was expended for the purpose intended as dictated by the applicable Kentucky Revised Statutes.**

  
\_\_\_\_\_  
Name  
County Judge/Executive

  
\_\_\_\_\_  
Name  
County Treasurer



